

AGENDA – AUDIT COMMITTEE

Monday, November 8, 2021 – 5:30 PM

Limestone Education Centre

220 Portsmouth Avenue, Kingston, ON

Virtual Link: <https://bit.ly/LDSBAuditNov8>

PRIVATE SESSION – 5:30 PM

**In accordance with the Education Act, Section 207(2) a meeting of a committee of a board including a committee of the whole board, may be closed to the public when the subject under consideration involves,*

- a) The security of the property of the board;*
- b) The disclosure of intimate, personal or financial information in respect of a meeting of the board or committee, an employee or prospective employee of the board or a pupil or his or her parent or guardian;*
- c) The acquisition or disposal of a school site;*
- d) Decisions in respect of negotiations with employee of the board; or*
- e) Litigation affecting the board.*

1. ADOPTION OF AGENDA

2. DECLARATION OF CONFLICT OF INTEREST

3. MOTION TO MOVE INTO PRIVATE SESSION

4. REPORTS FOR INFORMATION

4.1. Admin Report on Draft 2020-2021 Consolidated Financial Statements, Manager Baumann
(Report appended Pages 4-7)

4.2. Audit Findings Report – Lori Huber (Report appended Pages 8-46)

5. PRIVATE DISCUSSION BETWEEN AUDITORS AND AUDIT COMMITTEE

- 5.1. The committee will excuse staff in order to provide for a private conversation with both the external and internal auditors.

6. COMMITTEE TO RISE AND REPORT

PUBLIC MEETING – 5:45 PM (approximately)

Chair's opening remarks.

Acknowledgement of Territory: "The Limestone District School Board is situated on the traditional territories of the Anishinaabe and Haudenosaunee. We acknowledge their enduring presence on this land, as well as the presence of Métis, Inuit and other First Nations from across Turtle Island. We honour their cultures and celebrate their commitment to this land."

1. REPORTS FOR INFORMATION

- 1.1. Audit Committee Annual Report to the Board, Superintendent Young (Report appended Pages 47-49)
- 1.2. PCB Inquiries Chair 2021 Updates, Chair French (Report appended Pages 50-51)
- 1.3. Regional Internal Audit Update, Genevieve Segu/Pasquale L'orfano (Report appended Pages 52-53)

2. REPORTS REQUIRING DECISION

- 2.1. Presentation of Draft 2020-2021 Consolidated Financial Statements, Manager Baumann (Report appended Pages 54-84)

MOTIONS:

- 1) That the Audit Committee recommend to the Board the approval of the audited consolidated financial statements for the year ended August 31, 2021.

Limestone District School Board

Limestone District School Board is situated on traditional territories of the Anishinaabe & Haudenosaunee.

2) That the 2020-2021 consolidated financial statements be filed with the Ministry of Education and posted on the Board website subject to the approval at the November 24, 2021 Board meeting.

2.2. External Auditor Contract, Superintendent Young (Report appended Pages 85-86)

MOTION:

1) That the Audit Committee recommends to the Board of Trustees the engagement of KPMG for external audit services for the period ending August 31, 2026

3. OTHER BUSINESS

4. NEXT MEETING DATE

Monday May 2, 2022

**Annual Report to the Board of Trustees for the
Fiscal Year Ended August 31, 2021**

This report summarizes the actions of the Limestone District School Board (DSB) Audit Committee for the year ended August 31, 2021.

Audit Committee Members

In accordance with Board Policy #10 - Committees of the Board and the recruitment and selection process outlined in *Ontario Regulation 361/10*, the following Audit Committee members were appointed to serve during the current term as follows:

Laurie French	Trustee representative and Chair of the Committee
Garrett Elliott	Trustee representative
Suzanne Ruttan	Trustee representative
Christine Innocente	External member
Roger Richard	External member

Assessment

Board Policy #10 and *Ontario Regulation 361/10* stipulate that Audit Committee meetings will be held at least three times a year. All meetings have been held as planned in 2020-2021. The Limestone DSB has had an Audit Committee in place since May 2004.

The members in attendance at each meeting in 2020-2021 were as follows:

Member's Name	Sept 14, 2020	Nov 9, 2020	May 3, 2021
Laurie French, Committee Chair	X	X	X
Garrett Elliott	X	X	X
Suzanne Ruttan	X	X	X
Christine Innocente	X	x	X
Roger Richard	x	X	X

Governance

The Audit Committee of the Limestone DSB was originally established in May 2004. The appointment of the members to the Audit Committee was completed in accordance with provisions 3. (1) and 3. (2) of *Ontario Regulation 361/10*.

External Audit Committee Members:

On September 14, 2020, Ms. Christine Innocente and Mr. Roger Richard joined the Limestone DSB as external Audit Committee members.

Internal/External Audit

Relationships with both internal and external auditors have been satisfactory. Both internal and external auditors were present at Audit Committee meetings that were held in private session.

External Auditors

The external auditors, KPMG LLP, were present at all Audit Committee meetings. The following material was presented:

- September 14, 2020 meeting - Provided the Committee with an update on the Limestone District School Board Interim/Year End audit activities for the 2019-2020 fiscal year.
- November 9, 2020 meeting - Provided the Committee with an audit opinion on the Limestone District School Board consolidated financial statements for the year ended August 31, 2020 and the audit findings report.
- May 3, 2021 meeting – Provided the Committee with the draft audit plan for the Limestone District School Board for the 2020-2021 fiscal year.

Internal Auditors

The Regional internal auditors were present at all Audit Committee meetings. The following material was presented:

- September 14, 2020 meeting - Provided the Committee with an overview of the RIAT Internal Audit Mandate, including the roles and responsibilities of its Auditors, its reporting and monitoring procedures and its quality assurance. Also provided to the Committee were the Regional Internal Audit Plan for 2020-2021, the 2019-2020 Annual Report on Internal Audit Activities and the Outstanding Recommendations as of September 2020.
- November 9, 2020 - Provided the Committee with an Internal Audit Plan Update for 2020-2021.
- May 3, 2021 meeting - Provided the Committee with a Regional Internal Audit Update, Strategic Risk Assessment Final Report, Procurement Data Analytics Review Final Report and the 2020-2021 Follow-up Procedures Final Report.

Summary of the Work Performed

The following is a summary of work undertaken by the Audit Committee in the last 12 months:

- reviewed and approved 2019-2020 consolidated financial statements;
- reviewed Audit Findings Report for 2019-2020 consolidated financial statements;
- reviewed and approved Audit Plan for 2020-2021 financial statements;
- reviewed and approved Audit Committee's Annual Report to the Board;
- reviewed regional internal audit reports;
- reviewed regional internal audit plans.

By the signature noted below, we attest that we have discharged our duties and responsibilities in accordance with *Ontario Regulation #361/10*. Under this regulation there is a requirement to submit a copy of this report to the Ministry.

On behalf of the Audit Committee,

Laurie French
Chair of Limestone DSB Audit Committee
Date: November 8, 2021

**Annual Report to the Board of Trustees and Forwarded
To the Ministry of Education
For the year ended August 31, 2021**

District School Board Name: Limestone District School Board

Fiscal Year: 2020-2021

Re: Annual Audit Committee report to the Ministry of Education as per *Ontario Regulation 361/10*

The Regional internal auditors were present at all three Audit Committee meetings. The following material was presented:

- September 14, 2020 meeting - Provided the Committee with an overview of the RIAT Internal Audit Mandate, including the roles and responsibilities of its Auditors, its reporting and monitoring procedures and its quality assurance. Also provided to the Committee were the Regional Internal Audit Plan for 2020-2021, the 2019-2020 Annual Report on Internal Audit Activities and the Outstanding Recommendations as of September 2020.
- November 9, 2020 - Provided the Committee with an Internal Audit Plan Update for 2020-2021.
- May 3, 2021 meeting - Provided the Committee with a Regional Internal Audit Update, Strategic Risk Assessment Final Report, Procurement Data Analytics Review Final Report and the 2020-2021 Follow-up Procedures Final Report.

On behalf of the Audit Committee,

Laurie French
Chair of Limestone DSB Audit Committee

Date: November 8, 2021

Appendix 3 to the Guide to the Middle Market Audit Approaches

Limestone District School Board

Inquiries with Management and Those Charged with Governance

August 31, 2021

Category	Detailed Description	Those Charged with Governance Response
Fraud	What are your views about fraud risks at the entity?	<p>From experience, the fraud risk at the LDSB is low, with ongoing and regular oversight through the Audit Committee of Trustees and external community members, informed by both Internal RIAT, and External audits.</p> <p>Management at LDSB has put in place controls around purchasing, school board and school generated funds, etc that have strengthened the ability to mitigate the risk of fraud. As evidenced in Audit committee meetings/minutes, the board is also very responsive when it comes to putting safeguards in place should any risk arise.</p>
Fraud	How do those charged with governance exercise effective oversight of management’s processes for identifying and responding to the risk of fraud in the entity and internal controls management has established to mitigate these fraud risks?	<p>The staff at the LDSB share any red flags identified so the Audit committee, and then the board can address them as and when the need arises.</p> <p>The external and internal audit have also been very helpful to the audit committee in understanding areas of potential risk.</p> <p>The audit committee exercises its oversight mainly through regular meetings held (at least 3 times a year). Other meetings are held from time to time as and when the need arises and staff are responsive to additional related queries. The addition of regularly scheduled private session discussion for committee members with the internal and external auditors without staff strengthens this oversight.</p>
Fraud	Are you aware of or have you identified any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?	None for this past year.

Appendix 3 to the Guide to the Middle Market Audit Approaches

Limestone District School Board

Inquiries with Management and Those Charged with Governance

August 31, 2021

Category	Detailed Description	Those Charged with Governance Response
Significant unusual transactions	Has the entity entered into any significant unusual transactions?	<p data-bbox="1381 456 1556 480">Nothing unusual.</p> <p data-bbox="1058 521 1879 607">The Board continues to receive regular updates on the progress of the Kingston Secondary School project (projected completion is early FY21). There were some changes mid-year to some capital contracts but none of these affected LDSB.</p> <p data-bbox="1058 651 1879 764">The financial pressures and adjustments to the budget and actual expenditures during the pandemic have been a consideration. A targeted review was requested for inclusion in the RIAT's work and is for consideration. Sufficiency will be analyzed after reassessing the financial reporting process.</p>

<p>Subject:</p> <p>Presented by:</p> <p>Meeting Date:</p>	<p>Regional Internal Audit Update – Public Session</p> <p>Geneviève Segu, Regional Internal Audit Manager</p> <p>Pasquale L’orfano, Internal Auditor</p> <p>November 8, 2021</p>									
<p>Purpose</p>	<p>To provide the Audit Committee with an update from the Regional Internal Audit Manager (RIAM) on the progress of the 2021-22 RIAT work.</p> <p>This report links with Regulation 361/10 in relation to the Audit Committee’s duties to the Internal Auditor 9(3) and the Board’s Internal Controls 9(2).</p>									
<p>Content</p>	<p>2021-2022 Regional Internal Audit Plan Update</p> <p>The Audit Committee approved the 2021-22 Audit Plan at the September 13, 2021 meeting. The following presents an update on the engagements:</p> <table border="1" data-bbox="430 913 1485 1829"> <thead> <tr> <th data-bbox="430 913 630 997">Status</th> <th data-bbox="630 913 1252 997">Audit & Scope</th> <th data-bbox="1252 913 1485 997">Schedule</th> </tr> </thead> <tbody> <tr> <td data-bbox="430 997 630 1409">In Progress</td> <td data-bbox="630 997 1252 1409"> <p>Critical Positions Engagement</p> <p>This engagement aligns with the preliminary region-wide Strategic Risk Assessment which identified Succession Planning as one of the top risks in the portfolio.</p> <p>The scope is to provide Management with a current state assessment/inventory of all positions, outside of the schools. Each position is critical, key, support or specialist.</p> </td> <td data-bbox="1252 997 1485 1409">November 2021: Meet with HR to discuss timing, objective and scope of work.</td> </tr> <tr> <td data-bbox="430 1409 630 1829">Not initiated</td> <td data-bbox="630 1409 1252 1829"> <p>Safe Schools</p> <p>This engagement focuses on capacity, processes and systems in place to communicate, identify, protect and respond to issues relating to student’s health, with a focus on well-being, mental health and bullying.</p> <p>This engagement has been performed and well received by other RIATs in the province.</p> </td> <td data-bbox="1252 1409 1485 1829">TBD</td> </tr> </tbody> </table>	Status	Audit & Scope	Schedule	In Progress	<p>Critical Positions Engagement</p> <p>This engagement aligns with the preliminary region-wide Strategic Risk Assessment which identified Succession Planning as one of the top risks in the portfolio.</p> <p>The scope is to provide Management with a current state assessment/inventory of all positions, outside of the schools. Each position is critical, key, support or specialist.</p>	November 2021: Meet with HR to discuss timing, objective and scope of work.	Not initiated	<p>Safe Schools</p> <p>This engagement focuses on capacity, processes and systems in place to communicate, identify, protect and respond to issues relating to student’s health, with a focus on well-being, mental health and bullying.</p> <p>This engagement has been performed and well received by other RIATs in the province.</p>	TBD
Status	Audit & Scope	Schedule								
In Progress	<p>Critical Positions Engagement</p> <p>This engagement aligns with the preliminary region-wide Strategic Risk Assessment which identified Succession Planning as one of the top risks in the portfolio.</p> <p>The scope is to provide Management with a current state assessment/inventory of all positions, outside of the schools. Each position is critical, key, support or specialist.</p>	November 2021: Meet with HR to discuss timing, objective and scope of work.								
Not initiated	<p>Safe Schools</p> <p>This engagement focuses on capacity, processes and systems in place to communicate, identify, protect and respond to issues relating to student’s health, with a focus on well-being, mental health and bullying.</p> <p>This engagement has been performed and well received by other RIATs in the province.</p>	TBD								

	In Progress	Follow-up Procedures RIAT continues to follow-up on the remaining recommendations, as they come due.	Ongoing
	As Needed	Management Request Engagement To cover any important items that may be required to during the school year.	If Requested
Recommendation	That the Limestone District School Board Audit Committee receives for information the November 8 th 2021 RIAT update.		

Consolidated Financial Statements of

**THE LIMESTONE DISTRICT
SCHOOL BOARD**

Year ended August 31, 2021

DRAFT

THE LIMESTONE DISTRICT SCHOOL BOARD

Table of Contents

Year ended August 31, 2021

Management Report

Independent Auditors' Report

Page

Consolidated Financial Statements

Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Change in Net Debt.....	3
Consolidated Statement of Cash Flows.....	4
Notes to Consolidated Financial Statements.....	5

MANAGEMENT REPORT

Year ended August 31, 2021

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Limestone District School Board ("Board") are the responsibility of Board management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act, as described in note 1 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Audit Committee of the Board meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the Board's approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.

Director of Education

Superintendent of Business Services
and Treasurer

November 24, 2021

INDEPENDENT AUDITORS' REPORT

To the Trustees of The Limestone District School Board

Opinion

We have audited the consolidated financial statements of The Limestone District School Board (the Entity), which comprise:

- the consolidated statement of financial position as at August 31, 2021
- consolidated statements of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at end of August 31, 2021, and its consolidated results of operations, and its consolidated cash flows for the year then ended in accordance with the basis of accounting as described in note 1 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Presentation

We draw attention to note 1 to the financial statements which describes the applicable financial reporting framework and the purpose of the financial statements. As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting as described in note 1 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

November 24, 2021

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash	\$ 26,996,843	\$ 37,277,225
Accounts receivable:		
Municipalities	4,364,350	19,261,195
Government of Ontario-approved capital (note 2)	84,750,944	78,764,626
Government of Ontario-non-capital (note 2)	27,099,817	17,074,927
Other	8,179,061	3,898,992
Investments	1,436,310	1,441,213
Total financial assets	152,827,325	157,718,178
Financial liabilities:		
Temporary borrowing (note 3)	2,811,000	1,151,000
Accounts payable and accrued liabilities	29,944,979	45,998,082
Net long-term liabilities (note 8)	69,026,908	72,251,624
Deferred revenue (note 5)	20,436,171	14,733,488
Funds held in trust	1,758,398	1,712,709
Employee benefit liability (note 4(d))	8,277,167	8,633,062
Deferred capital contributions (note 6)	246,578,823	235,586,796
Total financial liabilities	378,833,446	380,066,761
Net debt	(226,006,121)	(222,348,583)
Non-financial assets:		
Prepaid expenses	1,253,729	1,500,479
Tangible capital assets (note 13)	262,805,114	249,247,331
Total non-financial assets	264,058,843	250,747,810
Contingent liabilities and commitments (notes 10 and 11)		
Accumulated surplus (note 17)	\$ 38,052,722	\$ 28,399,227

The accompanying notes are an integral part of these consolidated financial statements.

On Behalf of the Board:

Director of Education

Chair of the Board

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2021, with comparative information for 2020

	Budget (note 14)	2021	2020
Revenues:			
Municipal grants	\$ 61,988,183	\$ 57,761,060	\$ 61,768,255
Provincial grants:			
Grants for student needs	198,639,525	201,062,297	191,346,296
Other	9,284,062	11,009,295	2,649,120
Federal grants and fees	78,902	156,774	24,048
Investment income	522,193	351,896	594,031
Other	3,943,576	3,192,797	5,036,725
School fundraising	2,400,000	876,930	3,008,673
	<u>276,856,441</u>	<u>274,411,049</u>	<u>264,427,148</u>
Expenses (note 15):			
Instruction	203,898,728	195,268,450	186,562,487
Administration	7,635,730	7,674,126	7,501,391
Transportation	18,539,766	16,113,679	15,712,897
Pupil accommodation	43,551,235	40,411,854	40,636,917
Other	1,962,358	4,100,484	1,896,639
School funded activities	2,400,000	1,188,961	2,970,080
	<u>277,987,817</u>	<u>264,757,554</u>	<u>255,280,411</u>
Annual surplus (deficit)	(1,131,376)	9,653,495	9,146,737
Accumulated surplus, beginning of year	28,399,227	28,399,227	19,252,490
Accumulated surplus, end of year (note 17)	\$ 27,267,851	\$ 38,052,722	\$ 28,399,227

The accompanying notes are an integral part of these consolidated financial statements.

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Annual surplus	\$ 9,653,495	\$ 9,146,737
Acquisition of tangible capital assets	(26,109,356)	(25,751,714)
Amortization of tangible capital assets	12,450,610	14,669,631
Gain on disposal of tangible capital assets	(15,156)	(11,077)
Proceeds on sale of tangible capital assets	15,156	252,328
Gain on sale allocated to deferred revenue	—	(240,343)
Write-downs of tangible capital assets	100,963	—
	(3,904,288)	(1,934,438)
Acquisition of prepaid expenses	246,750	33,599
Increase in net debt	(3,657,538)	(1,900,839)
Net debt, beginning of year	(222,348,583)	(220,447,744)
Net debt, end of year	\$ (226,006,121)	\$ (222,348,583)

The accompanying notes are an integral part of these consolidated financial statements.

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Operating transactions:		
Annual surplus	\$ 9,653,495	\$ 9,146,737
Non-cash items including:		
Amortization, write downs and gain/loss on disposal	12,536,417	14,658,554
Amortization of deferred capital contributions	(12,328,181)	(14,570,587)
Deferred gain on disposal of tangible capital assets	-	(240,343)
Change in non-cash assets and liabilities:		
Decrease (increase) in accounts receivable (non-capital)	10,616,776	(13,652,453)
Increase in accounts receivable delayed grant payment	(10,024,890)	(4,902,988)
Increase (decrease) in accounts payable and accrued liabilities	(16,053,103)	16,550,734
Increase (decrease) in deferred revenue	2,687,813	(506,898)
Increase in funds held in trust	45,689	132,310
Decrease in employee benefit liability	(355,895)	(637,461)
Decrease in prepaid expenses	246,750	33,599
	(12,628,624)	(3,135,533)
Cash provided by (applied to) operating transactions	(2,975,129)	6,011,204
Capital transactions:		
Cash used to acquire tangible capital assets	(26,109,356)	(25,751,714)
Proceeds on sale of tangible capital assets	15,156	252,328
Cash applied to capital transactions	(26,094,200)	(25,499,386)
Investing transactions:		
Decrease (increase) in investments	4,903	(20,296)
Financing transactions:		
Increase (decrease) in temporary borrowing	1,660,000	(5,715,000)
Debt repayment	(3,224,716)	(3,098,131)
Decrease (increase) in accounts receivable - Government of Ontario (approved capital)	(5,986,318)	13,124,500
Increase in deferred capital contributions	23,320,208	19,665,438
Increase (decrease) in deferred capital revenue	3,014,870	(1,966,589)
Cash provided by financing transactions	18,784,044	22,010,218
Increase (decrease) in cash	(10,280,382)	2,501,740
Cash, beginning of year	37,277,225	34,775,485
Cash, end of year	\$ 26,996,843	\$ 37,277,225

The accompanying notes are an integral part of these consolidated financial statements.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2021

1. Significant accounting policies:

These consolidated financial statements are prepared by management in accordance with the basis of accounting described below.

(a) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the Limestone District School Board ("the Board") and which are controlled by the Board.

These consolidated financial statements include school generated funds which include the assets, liabilities, revenues and expenses of organizations that exist at the school level and that are controlled by the Board.

(b) Basis of accounting:

These consolidated financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The Regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the statement of operations and accumulated surplus over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset.

The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than amortization, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which requires that

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

As a result, revenue recognized in the statement of operations and accumulated surplus and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

(c) Investments:

Temporary investments consist of marketable securities which are liquid short-term investments with maturities of between three months and one year at the date of acquisition, and are recorded on the Consolidated Statement of Financial Position at the lower of cost or market value.

Investments are recorded at lower of cost plus or minus amortization of bond discounts or premiums or market. Interest on the investments is accrued as earned. Gains or losses on the sale of investments are recognized in the year of sale. Amortization of bond discounts or premiums are accrued over the term of the investment.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the period of service. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(e) Tangible capital assets:

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

1. Significant accounting policies (continued):

(e) Tangible capital assets (continued):

Tangible capital assets, except land, are amortized on a straight-line basis over their estimated useful lives as follows:

Rate	Estimated Useful Lives
Land improvements with finite lives	15 years
Buildings	40 years
Portable structures	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5 to 15 years
Computer hardware	3 years
Computer software	5 years
Vehicles	5 to 10 years

Assets under construction are not amortized until the asset is available for productive use.

The useful life for computer hardware was revised from five years to three years based on new information related to the actual life of the assets. As such, additional amortization has occurred for these assets as needed to bring the net book value in line with this policy. The impact of this change is \$251,151.

Land permanently removed from service and held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service cease to be amortized and the carrying value is written down to its residual value.

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(f) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

1. Significant accounting policies (continued):

(g) Deferred capital contributions:

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital contribution as defined in Ontario Regulation 395/11 of the Financial Administration Act when the asset has been acquired. Amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

- Government transfer received or receivable for capital purpose
- Other restricted contributions received or receivable for capital purpose
- Property taxation revenues which were historically used to fund capital assets

(h) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance, health care benefits, retirement gratuity, worker's compensation and long-term disability benefits. The Board accrues its obligation for these employee benefits.

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, the following Employee Life and Health Trusts (ELHTs) were established in 2016-2017: ETFO and OSSTF. The following (ELHTs) were established in 2017-2018: CUPE-EWBT and ONE-T for non-unionized employees including principals and vice-principals. The ELHTs provide health, dental and life insurance benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff) and other school board staff. These benefits are provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Boards no longer administer health, life and dental plans for their employees and instead are required to fund the ELHTs on a monthly basis based on a negotiated amount per full-time equivalency (FTE). Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), including additional ministry funding in the form of a Crown contribution and Stabilization Adjustment.

Depending on prior arrangements and employee groups, the Board continues to provide health, dental and life insurance benefits for retired individuals that were previously represented by the following unions/federations: ETFO, OSSTF and CUPE.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

1. Significant accounting policies (continued):

(h) Retirement and other employee future benefits (continued):

The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities is actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation and long-term disability, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

- (ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System pensions, are the employer's contributions due to the plan in the period.
- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

(i) Government transfers:

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

Government transfers for capital are deferred as required by Regulation 395/11, recorded as deferred capital contributions (DCC) and recognized as revenue in the Consolidated Statement of Operations and Accumulated Surplus at the same rate and over the same periods as the asset is amortized.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

1. Significant accounting principles (continued):

- (j) Accumulated surplus – available for compliance, internally appropriated:

Certain amounts, as approved by the Board of Trustees, are set aside as internally appropriated funds for future operating and capital purposes. Transfers to and/or from internally appropriated funds are an adjustment to the respective fund when approved.

- (k) Investment income:

Investment income is reported as revenue in the period earned.

Investment income earned on restricted funds forms part of the respective deferred revenue balances.

- (l) Property tax revenue:

Under Canadian Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the financial statements, which in the case of the Board, is the Province of Ontario. As a result, property tax revenue received from the municipalities is recorded as part of Municipal Grants.

- (m) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Trustees. The budget approved by the Board of Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model. Given differences between the funding model and the basis of accounting used by the Board in the preparation of the consolidated financial statements, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements.

- (n) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1(b) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these current estimates. Significant estimates include assumptions used in performing actuarial valuations of employee benefit liabilities.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

2. Accounts receivable - Government of Ontario:

The Province replaced variable capital funding with a one-time debt support grant in 2010. The Board received a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board receives this grant in cash over the remaining term of the existing capital debt instruments. The Board may also receive yearly capital grants to support capital programs which would be reflected in this accounts receivable.

The Board has an account receivable from the Province of \$84,750,944 as at August 31, 2021 (2020 - \$78,764,626) with respect to capital grants.

The Ministry of Education introduced a cash management strategy effective September 1, 2018. As part of the strategy, the Ministry delays part of the grant payment to the Board where the adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry. The balance of delayed grant payments included in the receivable balance from the Government of Ontario at August 31, 2021 is \$27,099,817 (2020 - \$17,074,927).

3. Temporary borrowing:

The Board's financing agreement with its bank provides for operating credit facilities as follows:

The Board has a revolving term loan of up to \$20,000,000 to finance capital expenses under the Ministry's "School Condition Improvement" Program, with \$2,811,000 utilized as at August 31, 2021 (2020 - \$1,151,000) under the facility by way of a demand revolving loan or by a bankers' acceptance having terms not less than 30 days and not more than 365 days and a stamping fee of 0.75% per annum.

4. Employee benefits liability:

(a) Retirement gratuities and benefits, post-retirement benefits and workers' compensation:

The Board provides retirement gratuities and benefits and post-retirement benefits to various employees. An independent actuarial study of the retirement gratuities and benefits and post-retirement benefits has been undertaken. The most recent valuation of the employee future benefits was completed as at August 31, 2021.

(i) Retirement gratuities and benefits:

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The amount of gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service as at August 31, 2012.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

4. Employee benefits liability:

(a) Retirement gratuities and benefits, post-retirement benefits and workers' compensation (continued):

(i) Retirement gratuities and benefits continued:

The Board has a liability related to these retirement gratuities and benefits. At August 31, 2021, the Board's accrued benefit liability relating to retirement gratuities and benefits is \$5,443,756 (2020 - \$6,013,813). Accumulated surplus has been internally appropriated for these liabilities, which amounted to \$3,557,121 for retirement gratuities and benefits respectively as at August 31, 2021 (2020 - \$4,668,722).

(ii) Post-retirement benefits:

The Board offers its permanent employees extended health and dental benefits and pays the costs of the benefits provided. The Board also offers life insurance and accidental death and dismemberment to its permanent employees and pays a share of the costs of the benefit provided which will vary depending on the collective agreement of the employee.

Early retirees are allowed to continue their coverage under the Board sponsored extended health, dental care and insurance plans until age 65. Most employees are required to reimburse the Board for the full cost of the benefits. The post-retirement benefit costs and liabilities are included in the Board's consolidated financial statements.

At August 31, 2021, the Board's accrued benefit liability relating to post-retirement benefits is \$383,337 (2020 - \$275,267). Accumulated surplus has been internally appropriated for this liability, which amounted to \$10,383 as at August 31, 2021 (2020 - \$20,766).

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

4. Employee benefits liability (continued):

(a) Retirement gratuities and benefits, post-retirement benefits and workers' compensation (continued):

(ii) Post-retirement benefits (continued):

Retirement gratuities and benefits and other post-retirement benefit expenses:

			2021	2020
	Retirement gratuities and benefits	Other post- retirement benefit expenses	Total retirement and post- retirement benefits	Total retirement and post- retirement benefits
Accrued benefit liability, September 1	\$ 6,013,813	\$ 275,267	\$ 6,289,080	\$ 6,801,950
Current period benefit cost	–	44,200	44,200	42,936
Change due to plan amendment	–	96,534	96,534	–
Amortization of actuarial (gain) loss	188,937	(11,014)	177,923	154,328
Interest on accrued benefit obligation	91,275	4,125	95,400	145,679
Benefit payments	(850,269)	(25,775)	(876,044)	(855,813)
Accrued benefit liability, August 31	5,443,756	383,337	5,827,093	6,289,080
Net employee future benefit expenses	\$ 280,212	\$ 133,845	\$ 414,057	\$ 342,943
Accrued employee future benefit obligations, August 31	\$ 6,171,793	\$ 383,337	\$ 6,555,130	\$ 7,230,239
Unamortized actuarial loss	(728,037)	–	(728,037)	(941,159)
Accrued benefit liability, August 31	\$ 5,443,756	\$ 383,337	\$ 5,827,093	\$ 6,289,080

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

4. Employee benefit liability (continued):

(a) Retirement gratuities and benefits, post-retirement benefits and workers' compensation (continued):

(iii) Workplace Safety and Insurance Board ("WSIB"):

This Board is a Schedule 2 employer with the Workplace Safety and Insurance Act (the "Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act up to the amount of its insurance deductibility. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. Plan changes made in 2012, requires the Board to provide a salary top-up to a maximum of 4½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the previously negotiated collective agreements included such provision. The Board recognizes WSIB payments on a claim basis rather than on a premium basis and reports such claims as expenses in the year in which the payments are made.

The Board carries catastrophic risk insurance and accumulated surplus has been internally appropriated for these liabilities which amounted to \$2,232,122 as at August 31, 2021 (2020 - \$2,188,821).

The amount of the obligation for WSIB that was actuarially determined as at August 31, 2021 is \$2,232,122 (2020 - \$2,188,821).

Information with respect to the Board's Workplace Safety and Insurance Board future payments is as follows:

	2021	2020
Accrued benefit obligation, beginning of year	\$ 2,188,821	\$ 2,332,392
Expense recognized for the period	416,000	237,498
Benefits paid for the period	(372,699)	(381,069)
Accrued benefit obligation, end of year	\$ 2,232,122	\$ 2,188,821

(iv) Sick leave benefits:

Sick leave top-up benefits:

A maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in the year. The benefit costs expensed in the consolidated financial statements are \$277,894 (2020 - \$91,552).

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

4. Employee benefit liability (continued):

(a) Retirement gratuities and benefits, post-retirement benefits and workers' compensation (continued):

(iv) Sick leave benefits (continued):

Sick leave top-up benefits (continued):

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2021. This actuarial valuation is based on assumptions about future events.

At August 31, 2021, the Board's accrued benefit liability relating to sick leave top-up benefits is \$217,952 (2020 - \$155,161).

(b) The Board has the following liabilities relating to employee benefits described in (a):

The accrued benefit obligations for employee future benefit plans as at August 31, 2021 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2021. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2021
Discount rate	1.8% per annum
Salary escalation	2% per annum
Dental benefits escalation	increase by a flat rate for 5% per annum in 2021
Health benefits escalation	increase by a flat rate for 5% per annum in 2021
Life benefits escalation	increase by a flat rate for 3% per annum in 2021
Inflation rate	1.5% per annum
	2020
Discount rate	1.4% per annum
Salary escalation	2% per annum
Dental benefits escalation	increase by a flat rate for 4.50% per annum in 2020
Health benefits escalation	7.25% per annum in 2020, decreasing by 0.25% per annum to an ultimate rate of 4.5%
Inflation rate	1.5% per annum

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

4. Employee benefit liability (continued):

(c) Liability for vacation credits:

Compensated vacation expense is accrued for employees as entitlement to these payments is earned in accordance with the Board's benefit plans for vacation time. Vacation credits earned as at August 31, 2021 amount to \$2,263,575 (2020 - \$2,236,442) and are reported as part of the accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

(d) Employee benefit liability:

	2021	2020
Employee benefit liabilities are comprised of:		
Retirement gratuities	\$ 5,443,756	\$ 6,013,813
Post-retirement benefits	383,337	275,267
Sick leave top-up benefit	217,952	155,161
Workplace safety and insurance	2,232,122	2,188,821
	8,277,167	8,633,062
Vacation credits	2,263,575	2,236,442
	\$ 10,540,742	\$ 10,869,504

5. Deferred revenue:

Deferred revenue consists of amounts received by the Board that are restricted for specific purposes by the funder and amounts that are required to be set aside by the Board for specific purposes by legislation, regulation or agreement.

Deferred revenue has been set aside for specific purposes by legislation, regulation or agreement as at August 31, 2021 and is comprised of:

	Balance as at August 31, 2020	Externally restricted revenue and investment income	Revenue recognized in the period	Transferred to deferred capital contributions	Balance as at August 31, 2021
Special education	\$ 2,009,657	\$ 30,797,025	\$ 30,758,228	\$ –	\$ 2,048,454
Capital funds	611,836	634,745	–	634,745	611,836
Other	12,111,995	28,114,941	18,352,657	4,098,398	17,775,881
Total deferred revenue	\$ 14,733,488	\$ 59,546,711	\$ 49,110,885	\$ 4,733,143	\$ 20,436,171

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

5. Deferred revenue (continued):

(a) Special education:

The Province has provided a specific operating grant to be used for the provision of instruction and support to special education students. Any amount not spent by year end must be deferred for use for this specific purpose in future years.

(b) Capital funds:

Capital funds include proceeds of disposition deferred revenue which pertains to the gains on disposal of instructional and administrative buildings and property.

(c) Other:

Other deferred revenue includes many specific program amounts, both capital and operating, from Provincial ministries, primarily the Ministry of Education.

6. Deferred capital contributions:

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with regulation 395/11 that have been expended by year end. The contributions are amortized into revenue on the Consolidated Statement of Operations and Accumulated Surplus over the life of the asset acquired.

	2021	2020
Balance, beginning of year	\$ 235,586,796	\$ 230,491,945
Additions to deferred capital contributions	23,320,208	19,665,438
Revenue recognized in the period	(12,328,181)	(14,570,587)
Balance, end of year	\$ 246,578,823	\$ 235,586,796

7. Debt charges on capital borrowing:

The expenditure for capital loan interest and interest on unfinanced capital expenses reported on the Consolidated Statement of Operations and Accumulated Surplus includes:

	2021	2020
Interest payments on long-term debt	\$ 2,810,220	\$ 2,936,803
Accrued interest charges on long-term debt	(40,360)	(41,300)
Total interest expenses	\$ 2,769,860	\$ 2,895,503

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

8. Net long-term liabilities:

Net long-term liabilities reported on the Consolidated Statement of Financial Position is comprised of the following:

	2021	2020
Ontario Financing Authority, maturing November 2031	\$ 3,328,632	\$ 3,570,998
Ontario Financing Authority, maturing March 2033	7,510,352	7,971,220
Ontario Financing Authority, maturing March 2034	8,029,381	8,465,156
Ontario Financing Authority, maturing April 2035	2,543,243	2,665,050
Ontario Financing Authority, maturing March 2036	2,677,335	2,798,617
Ontario Financing Authority, maturing March 2037	4,748,122	4,968,389
Ontario Financing Authority, maturing June 2038	22,326,212	23,250,498
Ontario Financing Authority, maturing March 2039	153,610	159,427
Ontario Financing Authority, maturing March 2040	17,710,021	18,402,269
	<u>\$ 69,026,908</u>	<u>\$ 72,251,624</u>

The Board entered into a loan agreement effective November 3, 2006 with the Ontario Financing Authority in the amount of \$5,967,000 (\$3,328,632 is outstanding as at August 31, 2021) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative. The loan has a fixed interest rate of 4.56% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$201,236. The loan will be fully repaid by November 2031.

The Board entered into a second loan agreement effective March 3, 2008 with the Ontario Financing Authority in the amount of \$12,065,240 (\$7,510,352 is outstanding as at August 31, 2021) to finance capital improvement projects under the Ministry's "Good Places to Learn" and "Primary Class Size" initiatives. The loan has a fixed interest rate of 4.90% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$422,941. The loan will be fully repaid by March 2033.

The Board entered into a third loan agreement effective March 3, 2009 with the Ontario Financing Authority in the amount of \$12,061,042 (\$8,029,381 is outstanding as at August 31, 2021) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative. The loan has a fixed interest rate of 5.062% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$429,418. The loan will be fully repaid by March 2034.

The Board entered into a fourth loan agreement effective April 2010 with the Ontario Financing Authority in the amount of \$3,592,034 (\$2,543,243 is outstanding as at August 31, 2021) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative. The loan has a fixed interest rate of 5.232% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$129,835. The loan will be fully repaid by April 2035.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

8. Net long-term liabilities (continued):

The Board entered into a fifth loan agreement effective March 2011 with the Ontario Financing Authority in the amount of \$3,664,849 (\$2,677,335 is outstanding as at August 31, 2021) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative. The loan has a fixed interest rate of 4.833% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$127,545. The loan will be fully repaid by March 2036.

The Board entered into a sixth loan agreement effective March 2012 with the Ontario Financing Authority in the amount of \$6,476,464 (\$4,748,122 is outstanding as at August 31, 2021) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative. The loan has a fixed interest rate of 3.564% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$197,698. The loan will be fully repaid by March 2037.

The Board entered into a seventh loan agreement effective June 2013 with the Ontario Financing Authority in the amount of \$28,505,666 (\$22,326,212 is outstanding as at August 31, 2021) to finance capital improvement projects under the Ministry's "New Pupil Places and Good Places to Learn" initiatives. The loan has a fixed interest rate of 3.663% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$883,782. The loan will be fully repaid by June 2038.

The Board entered into an eighth loan agreement effective March 2014 with the Ontario Financing Authority in the amount of \$189,874 (\$153,610 is outstanding as at August 31, 2021) to finance capital improvement projects under the Ministry's "New Pupil Places" initiatives. The loan has a fixed interest rate of 4.003% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$6,070. The loan will be fully repaid by March 2039.

The Board entered into a ninth loan agreement effective March 2015 with the Ontario Financing Authority in the amount of \$21,571,170 (\$17,710,021 is outstanding as at August 31, 2021) to finance capital improvement projects under the Ministry's "New Pupil Places" initiatives. The loan has a fixed interest rate of 2.993% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$618,943. The loan will be fully repaid by March 2040.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

8. Net long-term liabilities (continued):

Payments due on long-term debt over the next five years and subsequent payments to maturity are as follows:

	Principal	Interest	Total
For the year ended August 31			
2022	\$ 3,356,676	\$ 2,678,260	\$ 6,034,936
2023	3,494,249	2,540,687	6,034,936
2024	3,637,684	2,397,252	6,034,936
2025	3,787,237	2,247,699	6,034,936
2026	3,943,181	2,091,755	6,034,936
Future years	50,807,881	11,627,243	62,435,124
	\$ 69,026,908	\$ 23,582,896	\$ 92,609,804

9. Pension plan costs:

(a) Ontario Teacher's Pension Plan:

Teachers and related employee groups are eligible to be members of Ontario Teacher's Pension Plan. Employer contributions for these employees are provided directly by the Province of Ontario ("Province"). The pension costs and obligations related to this plan are a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's consolidated financial statements.

(b) Ontario Municipal Employees Retirement System:

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2021, the Board contributed \$3,325,094 (2020 - \$3,207,240) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expense. No pension liability for this type of plan is included in the Board's consolidated financial statements.

10. Contingent liabilities:

(a) The Board is a member of the Ontario School Board Insurance exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks.

The ultimate premiums over a five-year period are based on the reciprocal's and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience. The current five-year term expires December 31, 2021.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

10. Contingent liabilities (continued):

- (b) The Board is involved with pending litigation and claims which arose in the normal course of operations. In the opinion of the administration, any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements of the Board. Any adjustments, arising from these matters, will be provided for in future years.

11. Commitments:

On June 1, 2003, the Board received \$6,139,800 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The 55 School Board Trust was created to refinance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, The 55 School Board Trust repaid the Board's debt in consideration for the assignment by the Board to the trust of the future provincial grants payable of the Board in respect of the NPF debt. Provincial funds in the amount of \$457,419 (2020 - \$457,419) flowed through the provincial grants for student needs revenues and other expenses on the Consolidated Statement of Operations and Accumulated Surplus to reflect the principal and interest repayments for the year ended August 31, 2021.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's financial position.

12. Trust funds:

- (a) The Board was the trustee for \$3,954,525 (2020 - \$3,917,375) held for employees' self-funded leave plans. These amounts are not included in the Board's consolidated financial statements.
- (b) The Limestone Learning Foundation, a registered charity, holds donated funds, the benefits of which are to be used for purchases of specific educational opportunities for students solely in the Limestone District School Board. As at December 31, 2020, the Foundation held assets of \$2,251,621 (2019 - \$2,322,498). These amounts are not included in the Board's consolidated financial statements.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

13. Tangible capital assets:

Cost	Balance at August 31, 2020	Additions	Disposals, write-offs and adjustments	Balance at August 31, 2021
Land	\$ 4,550,366	\$ 4,423	\$ –	\$ 4,554,789
Land improvements	19,157,357	2,485,911	–	21,643,268
Buildings	311,665,630	19,062,352	48,141,856	378,869,838
Portable structures	4,218,253	120,793	–	4,339,046
Furniture and equipment	6,630,688	393,716	(145,981)	6,878,423
Computer hardware	1,175,778	1,996,561	(854,479)	2,317,860
Computer software	346,033	309,123	–	655,156
Vehicles	1,650,847	51,075	–	1,701,922
Construction-in-progress	46,456,454	1,685,402	(48,141,856)	–
Total	\$ 395,851,406	\$ 26,109,356	\$ (1,000,460)	\$ 420,960,302

Accumulated amortization	Balance at August 31, 2020	Amortization	Disposals, write-offs and adjustments	Balance at August 31, 2021
Land improvements	\$ 10,399,720	\$ 923,166	\$ –	\$ 11,322,886
Buildings	127,639,937	9,914,117	–	137,554,054
Portable structures	2,721,177	205,118	–	2,926,295
Furniture and equipment	3,662,758	610,696	(145,981)	4,127,473
Computer hardware	781,698	534,107	(753,516)	562,289
Computer software	168,687	100,119	–	268,806
Vehicles	1,230,098	163,287	–	1,393,385
Total	\$ 146,604,075	\$ 12,450,610	\$ (899,497)	\$ 158,155,188

	Net book value August 31, 2020	Net book value August 31, 2021
Land	\$ 4,550,366	\$ 4,554,789
Land improvements	8,757,637	10,320,382
Buildings	184,025,693	241,315,784
Portable structures	1,497,076	1,412,751
Furniture and equipment	2,967,930	2,750,950
Computer hardware	394,080	1,755,571
Computer software	177,346	386,350
Vehicles	420,749	308,537
Construction-in-progress	46,456,454	–
Total	\$ 249,247,331	\$ 262,805,114

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

14. Budget data:

The budget data presented in these consolidated financial statements is based upon the revised 2020-2021 original budget that was approved by the Board of Trustees on July 13, 2020.

15. Expenses by object:

The following is a summary of the expenses reported on the Consolidated Statement of Operations and Accumulated Surplus by object:

	2021 Budget (note 16)	2021 Actual	2020 Actual
Expenses:			
Salary and wages	\$ 185,510,755	\$ 178,891,487	\$ 172,170,509
Employee benefits	30,394,848	29,390,272	27,710,365
Staff development	550,620	308,008	305,585
Supplies and services	19,790,776	16,436,035	13,584,720
Interest on long-term debt	2,769,860	2,769,860	2,895,503
Rental expenses	102,807	68,131	137,202
Fees and contract services	22,753,663	20,047,987	19,946,966
Other	779,161	2,743,450	889,850
Transfer to other boards	—	361,790	—
	\$ 262,652,490	\$ 251,017,020	\$ 237,640,700
Amortization	\$ 12,935,327	\$ 12,551,573	\$ 14,669,631
School activities	\$ 2,400,000	\$ 1,188,961	\$ 2,970,080
Total expenses	\$ 277,987,817	\$ 264,757,554	\$ 255,280,411

16. Related entities:

Tri-Board Student Transportation Services:

The Board has a one-third economic interest in Tri-Board Student Transportation Services (“Tri-Board”). Tri-Board’s principal activity is to provide student transportation for three school boards including the Limestone District School Board. Related party transactions with Tri-Board Student Transportation Services during the year, not separately disclosed in the consolidated financial statements, include the following:

- (i) The Board purchased student transportation services totalling \$14,835,369 (2020 - \$14,510,163) and administration costs of \$932,337 (2020 - \$553,842).

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

16. Related entities (continued):

Tri-Board's assets, liabilities, revenue, expenses and surplus for the year ended August 31, 2021 are as follows:

	2021	2020
Financial assets	\$ 4,239,311	\$ 3,196,619
Financial liabilities	(4,428,830)	(3,352,817)
Net debt	(189,519)	(156,198)
Non-financial assets	194,687	219,169
Accumulated surplus	\$ 5,168	\$ 62,971

	2021	2020
Revenue	\$ 41,919,330	\$ 39,665,738
Expenses	41,977,132	39,660,000
Annual surplus (deficit)	\$ (57,802)	\$ 5,738

17. Accumulated surplus:

Accumulated surplus consists of the following:

	2021	2020
Available for compliance:		
Unappropriated	\$ 16,113,500	\$ 8,643,228
Internally appropriated:		
Committed Capital Projects	11,671,502	9,110,169
School Budget Balances	2,621,769	2,819,234
Retirement Benefits	3,567,505	4,689,488
Workers Safety Insurance Board	2,232,122	2,188,821
	36,206,398	27,450,940
Unavailable for compliance:		
Employee Future Benefits	(5,040,899)	(6,206,184)
Accrued Interest	(789,741)	(830,101)
School Generated Funds	3,122,173	3,434,204
Revenue Recognized for Land	4,554,791	4,550,368
	1,846,324	948,287
Accumulated surplus	\$ 38,052,722	\$ 28,399,227

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

18. In-kind transfers from the Ministry of Government and Consumer Services:

The Board has recorded entries, both revenues and expenses, associated with centrally procured in-kind transfers of personal protective equipment (PPE) and critical supplies and equipment (CSE) received from the Ministry of Government and Consumer Services (MGCS). The amounts recorded were calculated based on the weighted average cost of the supplies as determined by MGCS and quantity information based on the Board's records. The in-kind revenue recorded for these transfers is \$2,087,985 with expenses based on use of \$2,087,985 for a net impact of \$NIL.

19. Impact of COVID-19:

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") a global pandemic. This resulted in the Province mandating that all Boards close their schools and administrative buildings on March 13, 2020 and move to online/learn-from-home education format for the remainder of the 2019-2020 school year based on recommendations from Public Health Ontario.

The 2020-2021 school year saw schools reopen to students, effective September 2020, with enhanced public health protocols, or the option to continue with remote at-home learning. In April 2021, the Board once again closed their schools and administrative buildings for the remainder of the 2020-2021 school year based on Public Health recommendations. Effective September 2021, schools have reopened to students for the 2021-2022 school year.

As at August 31, 2021, the Board did not have significant adjustments to reflect the possible future impact of COVID-19. Management assessed the impact on the Board and believes there are no significant financial issues as the Board has strong working capital available and access to sufficient liquid resources to sustain operations in the coming year. The outcome and time frame to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its financial effect on future operations at this time.

ADMINISTRATIVE REPORT: REQUEST FOR AUDIT QUOTATIONS

AUDIT COMMITTEE MEETING

November 8, 2021

Purpose

To provide Audit committee members with details regarding the Request for Quotation for External Audit Services for Limestone District School Board.

Background

In Regulation 361/10: Audit Committees, the audit committee of a board has the following duties related to the board's external auditor:

1. To review at least once in each fiscal year the performance of the external auditor and make recommendations to the board on the appointment, replacement or dismissal of the external auditor and on the fee and fee adjustment for the external auditor.

Since KPMG has just completed their three year contract providing external audit services to Limestone District School Board for the school year ending August 31, 2021, the Audit committee will need to provide a recommendation to the Board for external audit services.

Current Status

The Limestone District School Board is able to utilize the Ontario Education Collaborative Marketplace (OECM)'s vendor of record for procuring audit services. Four companies are approved through OECM to provide audit services. The approved companies are as follows: BDO Canada LLP, Deloitte Canada, Ernst and Young LLP, and KPMG. A request for quotation for external audit services for the next three years with an option for an additional two years was sent to each of the approved companies. Three companies responded and only two submissions were received.

Limestone District School Board						
External Audit Services						
Name	2022	2023	2024	2025	2026	3 Year Total
BDO Canada LLP	\$ 55,000	\$ 56,500	\$ 58,000	no bid	no bid	\$ 169,500
Deloitte Canada	No Response					
Ernst and Young LLP	Advised Too Busy to Bid					
KPMG	\$ 54,300	\$ 55,450	\$ 56,600	\$ 58,350	\$ 60,000	\$ 166,350

As per the table above, KPMG’s three-year cost for audit services is \$166,350. For comparison purposes, KPMG’s price for audit services for 2021 totaled \$53,650.

Recommendations

Motion:

That the Audit Committee recommends to the Board of Trustees the engagement of KPMG for external audit services for the period ending August 31, 2026.

Prepared by: Craig Young, Superintendent of Business Services